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the development of industry sketched above.[1] Industries which existed then or have come into existence since have benefited considerably from these concessions. But private enterprise remained shy of industrial activity until the establishment of the Industrial Bank in 1946-47. Through this Bank, the State showed itself not only willing to forgo some revenue in the interests of industry, but to provide cash, and to share in the risks of industry. As mentioned above, the Industrial Bank could not only give loans (against real or personal security), but also participate in the capital of joint stock companies. Its greatest value in my view lies in the fact that it can become a founder or promoter of industries and thus lead the industrial community and the investing public into new fields. However, the Bank was handicapped in the early stages, by the inadequacy of the financial resources at its disposal and the absence of economic and technical studies by which the feasibility of proposed industrial schemes might be judged. Moreover, the Bank lacked, and to some extent still lacks, a qualified technical staff. It has often to rely on the judgement of the Board of Directors or the advice of specialized Government departments such as the Directorate General of Industry and the Directorate General of Agriculture, which are not always fully equipped for the task. The Bank has continually asked for scientific surveys to be made of the mineral, agricultural and animal resources of the country. It has also called for an integrated economic plan covering industry, agriculture and other economic activities, in which the Bank, like other institutions, will play its particular role.[2] There has been strong resistance on the part of the Board of Directors to the allocation of money for technical staff or technical studies by experts, and often when money was allocated, it could not be spent because the Board disagreed on the qualifications of such experts (foreign or national) or the need for inviting them to study particular problems. However, as years passed and the financial position of the Bank improved, a section for the study of industrial schemes was formed and members of it were charged with the study of certain problems at home or abroad. A number of ad hoc committees of specialists available in Iraq were set up to study and report on proposed industrial schemes. Contact was estab-

1 No provision was made, however, for direct subsidies to industry, and no legal preference in government contracts was given to home industry.

2 See First Annual Report, Industrial Bank 1946-47/1947-48, Baghdad. (Arabic)

652 ly control the price, sales and purchases policies of such indus-
473 tries. In the first place, though the Bank holds a large proportion of the capital (varying between 20 and 40 per cent) of every industry, it is always in the minority on the Boards of Directors ; moreover it appoints its own representatives and is excluded from taking part in the election of other directors by the articles of association of the companies concerned. This course has been deliberately taken so as to ensure private enterprise against arbitrary action on the part of the government. Secondly, the Bank itself is, in the last analysis, a profit seeking institution and therefore it is not likely to stand in the way of any measures likely to increase profits, unless they are of an obviously oppressive or abusive nature. Thirdly, the main duty of the Bank is to promote industry. Promotion and control are not always compatible.

656 For these reasons the State has to look for other ways, and to
475 use more fully the legal powers which it already possesses, for effective control over industry. The fact that it owns a share in industry through the Industrial Bank puts it in a better position to exercise such control. But to rely mainly on the Industrial Bank for this purpose is to escape responsibility.

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mals offers a more practical answer to their needs at this time. Experience in Iraq shows that tractor plowing may increase yields by 20 to 50 percent, largely through more effective destruction of weeds and partly also through better preparation of the soil. Much the same effect could, however, be achieved through better animal-drawn plows replacing those which now, for the most part, barely scratch the surface and fail to uproot the weeds. Means for the acquisition of such tools and improved draft animals should be created through the organization of cooperatives and the provision of better credit facilities.

Mechanization will nevertheless play an increasingly important role in the future, especially as labor becomes more scarce and additional land becomes available for cultivation. Mechanization has already facilitated the expansion of cultivation in the dry-farming areas of Mosul and the new pump-irrigated lands in central Iraq. While certain areas in the irrigation zone are undoubtedly overpopulated in relation to land currently available, in other areas, particularly in the rain-fed zone, labor is scarce relative to the supply of land. As development schemes are launched and new land is opened up for settlement, the available manpower on lands already under cultivation may well be reduced. The government will need therefore to take steps to insure that mechanization will keep pace with developing requirements. In the period immediately ahead, however, the government should be mindful of the possibility that mechanization initiated by landowners may result in a substantial reduction of the portion of the crop going to sharecroppers or in the displacement of sharecroppers before alternative means of employment or settlement become available. Through its control over the importation and distribution of machinery and the extension of credit for the purchase of such machinery, the government will have the power to influence the direction of mechanization and thus minimize to some extent possibly adverse social consequences.

At present only a small portion of Iraqi agriculture is mechanized. Combines and tractors in operation are reported to number 320 and 750 respectively, with about half of the number concentrated in the provinces of Mosul and Baghdad. Of these, 75 combines and 81 tractors are owned by the Agricultural Machinery

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Administration, an autonomous agency within the Ministry of Economics. The AMA rents this machinery to farmers and, in addition, is responsible for testing and demonstrating new machinery, licensing of imports and controlling the distribution of the limited supply of spare parts in order to prevent black-marketing.

Some provision for rental of machinery, whether by the government or by private enterprise, will be necessary for some time, partly because it enables farmers to become acquainted with the value of such machinery and partly because many farmers do not have sufficient capital for outright purchase. As long as private enterprise is incapable of providing this service at reasonable rentals or until cooperatives can be established, continuation of the government rental service appears essential. On the whole, therefore, the AMA's three-year program to replace and expand its machinery park and to equip repair shops appears desirable despite the obvious drawbacks of government operation. At present, however, the AMA is operating at a substantial loss. In the calendar year 1951, for instance, its rental income will probably not exceed ID 50,000 compared with estimated operating costs, including depreciation, of about ID 150,000. Since the beginning of 1950, when it started operations as a fiscally autonomous agency, it has had to cover its deficits out of the ID 500,000 capital which the government undertook to provide. While the government should probably defray that part of the AMA's expenditures not directly attributable to the rental operations, the overall deficit should be reduced by gradually increasing rental charges. Rental charges on tractors, in particular, appear unduly low and may be depriving private persons of the incentive to purchase tractors either for their own use or for rental to others.

Since the overhead costs of the AMA's rental operations will probably always remain rather high and its machinery must be transported over considerable distances, it is important that the government encourage as much as possible private purchase and operation of machinery. The extension of credit for this purpose appears essential. At present, however, the Agricultural Bank cannot lend money on farm equipment partly because it is short of funds and partly because such loans would not afford sufficient security in the absence of any legal requirement to register title TO MACHINERY.

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491 are unsurfaced and impassable for long periods in wet weather. All-weather roads are at present found only in the Baghdad area and in the mountains in the North. The only passable trunk roads are those from Baghdad to Khanaqin, Baghdad to Kirkuk, Erbil and Mosul, and Baghdad to Rutba and Syria. Even these have shorter or longer sections in very poor condition. There is no all-season road between Baghdad and Basra.

508 Two civilian airports, Baghdad and Basra, serve the principal
509 air routes between Europe, Asia and beyond. Internal air services are limited to one line between Baghdad and Basra. Military airfields and landing grounds and a few private air strips are available in certain places, but demand for internal air transport has so far been negligible.

509 One state air line, Iraqi Airways, operates services with
475 neighbor countries and Egypt through Baghdad and Basra with a small fleet of four aircraft. Administration and management of the airline are combined with those of the state railways.

315 Oil from the oil fields at Kirkuk is carried by pipelines across the country to the Mediterranean ports of Tripoli and Haifa, but the line to Haifa is now out of operation. A shorter pipeline connects the southern Iraq oilfield with the Shatt al Arab oil port at Fao.

489 Transport connections with the outside world are well served by the Port of Basra for ocean-going traffic, by the airports of Baghdad and Basra in international air traffic and by the oil pipelines to the Mediterranean. At present only one railway line, beginning at Baghdad, connects Iraq with Syria, and via Syria with Turkey and Europe. A desert road exists for through road traffic between Iraq and Syria and Lebanon. A private company, Nairn Transport, operates an international bus service on this route. There are two main roads for exchange of traffic with Iran, one from Baghdad via Khanaqin, and one from Erbil via the Rowanduz Valley and Rayat. Future economic developments may perhaps demand new traffic outlets to the Mediterranean, shorter and better equipped than the existing railway and road routes, but at present there are few signs of such a demand.

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Tigris, although during each of the two World Wars there was a temporary railway connection with Kut.

The railways are state-owned and operated under the management of a Director General who is responsible to a Railway Board appointed by the government. The administration is autonomous and has its own budget which must, however, be submitted annually to Parliament for approval. The administration is well organized, the management capable and the operation efficient and economical.

Capacity

The railway system consists entirely of single track lines built to light standards, and the permitted axle loads are very low. This limits the capacity of the lines and increases the operation problems. There is no doubt, however, that the system's capacity is ample for present demands. During several war years it actually carried about twice the tonnage of goods transported in recent years, even though the length of the system was only about one third greater through the temporary construction of military branch lines (see Table 4).

Railway carrying capacity is in reality rather elastic. The railways could carry as a minimum 15 percent more goods, and, in a pinch, could probably carry considerably more. In consequence of the over-all development program, traffic requirements will undoubtedly increase quite rapidly. For example, the value of imports may double within about five years, and the amount of

TABLE 4

TRAFFIC ON STATE RAILWAYS

Year	Route Kilometers	PASSENGERS		GOODS	
		Passenger Journeys	Passenger Kilometers	Total Revenue Tonnage Carried	Total Revenue Ton Kilometers
1943-44	2,011	4,418,590	662,256,369	3,586,081	905,104,309
1944-45	1,555	4,869,523	669,987,674	2,390,402	648,482,848
1945-46	1,555	5,292,441	775,107,476	1,970,107	513,643,871
1946-47	1,555	4,300,413	630,705,454	1,860,296	600,138,802
1947-48	1,555	3,725,463	529,066,676	1,714,290	556,623,270
1948-49	1,555	3,340,034	473,075,056	1,674,289	497,306,309
1949-50	1,648	3,609,337	517,939,859	1,980,795	657,097,000